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# THE **TURRENTINE** **NEWSLETTER**



7599 REDWOOD BLVD. STE. 103, NOVATO, CA 94945  
(415) 209-WINE





# Deja Vu All Over Again

by Steve Fredricks

As we continue to celebrate our 50th anniversary, we have been looking back at the history of the Turrentine Market Update Newsletter for previous analyses that also could apply today. Below is from a [2001 Newsletter](#) that we feel resonates with the current conditions:

*A thousand brands have a bright idea, a bright idea to preserve margins. And it's a bright idea nobody else has thought of. They are all going to sell less but upgrade quality. At the same time, everyone is producing more grapes and more wine. You may wonder, of course, how that's going to work. Everyone makes more and everyone sells less but, through the magic of modern finance, it all works out. Somehow. The key is that THE OTHER GUY WHO HAS NOT FIGURED OUT THE PROGRAM will buy all of the excess and will sell it in some previously unknown market east of Kurdistan. Apparently, it's a big secret exactly who THE OTHER GUY is. It is so secret that THE OTHER GUY doesn't even know who he is. Someone should tell him, and tell him soon, because another harvest is on the way.*

*In the meantime, while we are waiting for THE OTHER GUY to figure out who he is, the market is red hot and icy cold. It is red hot for wines that work for raising the quality of blends. And it is icy cold for wines that could expand volume but which don't improve quality.*

*P.S. If you are THE OTHER GUY, please call home (415-209-WINE). You may actually come out ahead of some of the thousand brands with the bright idea nobody else has.*

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Did anybody else just get déjà vu? Sure, the underlying reasons for focusing on margin and selling at a higher price might be different (increased costs of business), and the reasons for excess might be different (slowing sales at the value-end) compared to 2001, but the market dynamic at the value end is similar to sell to “THE OTHER GUY”. The problem with the desire to sell bulk wine to “THE OTHER GUY” is that it erodes margins, and selling more wine at higher prices usually means selling less. The need to raise price and increase margin is valid, and this is creating different dynamics in the market for value wine and grapes compared to luxury wine and grapes.

Unfortunately, bulk supply is increasing around the world, and large domestic historical buyers have become sellers. Both of these factors have placed further pressure on value bulk wine and Valley grape markets. This competition makes it difficult to raise price, especially with slowing consumer sales. Our 50 years in business have provided insight on the cyclicity of market cycles. The Turrentine Wine Business Wheel describes what will happen as the value bulk wine and grape markets transition from Phase 1: Emerging Excess to Phase 2: Peak of Excess. Regardless of who initiates it, there will be wine sold at discounted prices. This will take market share from others and put pressure on wineries to discount to match eroding prices. Unfortunately, this will likely result in compressed margins for all in the long-term. The bottom line: Not everyone can employ the same strategy and sometimes it might be better to lead a different trend than to follow the same trend to gain a competitive advantage where available.

Meanwhile, buyers at the luxury end are continuing to secure supply in more active markets. Where buyers aren’t able to find supply, or they are looking for margin relief, they are looking outside of their typical appellation, including the value end in order to preserve their margins.

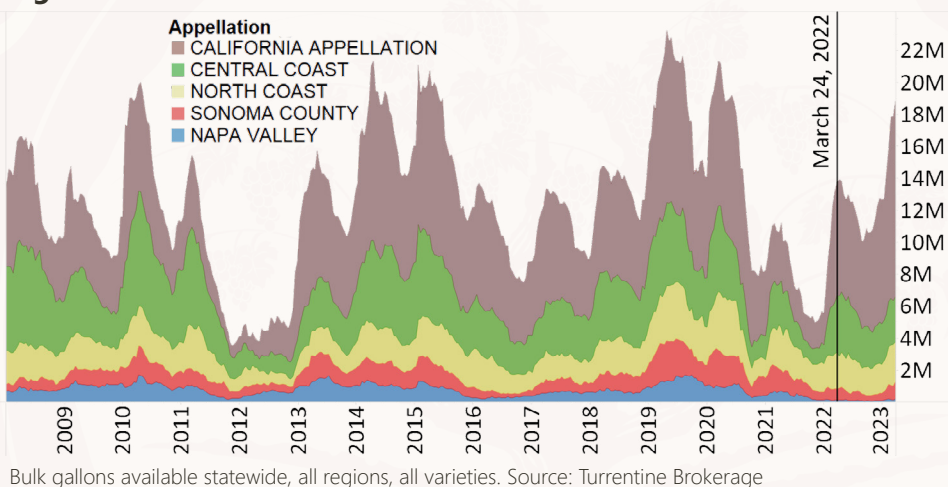
What follows is a quick update on the market dynamics for a few key varieties and regions to highlight opportunities and challenges in today’s market. Please call for more specific information.

## Market Update

### Bulk Market

Bulk gallons actively for sale have increased to nearly 19 million gallons statewide. There are now more than 10 million gallons of 2022 vintage bulk wine on the market despite the smallest crop in a decade—a result of slowing retail sales at the value-end that are causing some traditional buyers to become sellers. On one hand, we are currently listing a record number of gallons of California Appellation wine at 12.3 million gallons actively for sale. On the other, we are listing a near-record low for Napa Valley gallons available at just 167,000 gallons actively for sale, highlighting the bifurcation of retail sales on the bulk market also.

**Figure 1 - California Statewide Bulk Gallons Available**



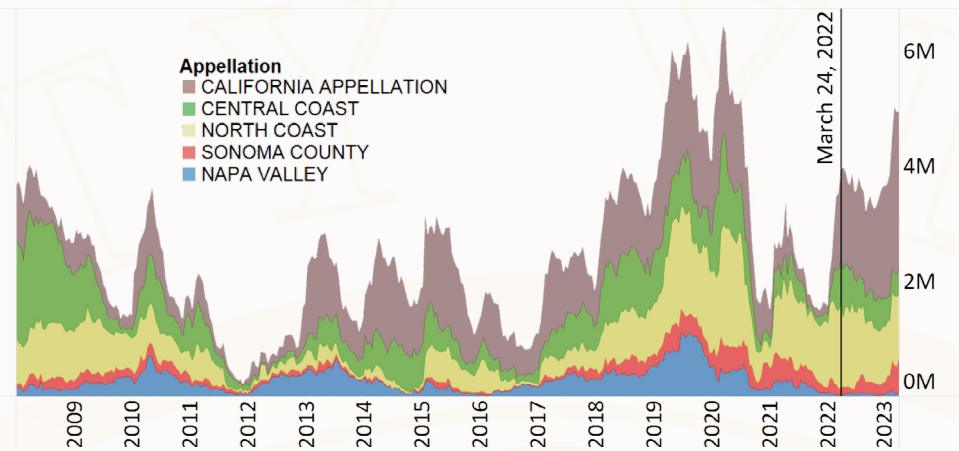
The result of the supply increase means that buyers are not overly motivated to purchase unless they have a purchase order in hand and high-end buyers are also constrained by lack of volume and high prices. Some sellers on the value-end have come down on asking prices to try to move their current inventory—particularly for California Appellation lots—but this has not yet stimulated volume buyers to take advantage of the opportunity.



## Cabernet Sauvignon

- Napa Valley Cabernet Sauvignon continues to be the most in-demand bulk wine with strong interest for vintage 2021 and 2022 lots. Available supply remains very tight. Recent sales have been between \$40.00 to \$65.00 per gallon.
- 2021 and 2022 Sonoma County Cabernet Sauvignon gallons actively for sale have increased and buyers have started to see the opportunity for 2021 vintage lots. Recent sales have been between \$24.00 to \$30.00 per gallon.
- North Coast Cabernet Sauvignon bulk demand remains low, with older vintage lots still on the market. Sellers are beginning to come down on price to move their available wine.
- Paso Robles Cabernet Sauvignon prices have remained stable and demand strong, with limited 2021 choices and a shorter supply from a light 2022 crop. Sellers are holding to higher prices in the \$15.00 to \$20.00 range, while buyers are aiming for \$10.00 to \$14.00.
- There are nearly 3 million gallons of Lodi and California Appellation Cabernet Sauvignon actively for sale at the moment, and demand has been low. Recent sales have been between \$4.00 to \$7.00 per gallon, with the larger lots sold at the lower end of that price range.

**Figure 2 - Cabernet Sauvignon Bulk Gallons Available**

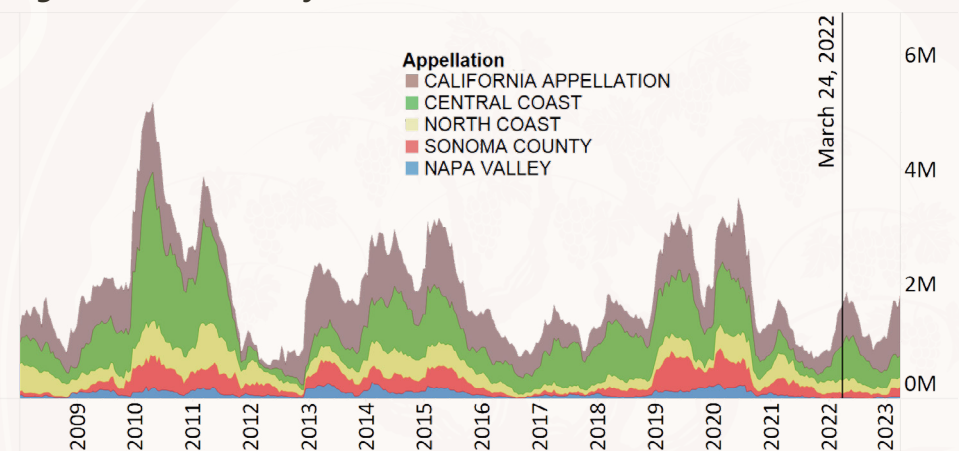


Cabernet Sauvignon bulk gallons available statewide, all regions. Source: Turrentine Brokerage

## Chardonnay

- Demand continues to be strong for Chardonnay from Russian River Valley and Sonoma Coast, and supply remains fairly tight at just 165,000 gallons available. Recent sales have been between \$24.00 to \$28.00 per gallon.
- North Coast Chardonnay demand is a bit softer with recent sales between \$6.50 and \$13.00 per gallon. Demand drops significantly at the higher end of the price range.
- Central Coast Chardonnay volumes have decreased to 370,000 gallons actively for sale. This market is a bit stronger than the North Coast, and recent sales have been between \$7.00 and \$13.00 per gallon for 2022 vintage wines.
- The market for California Appellation, including Lodi and Clarksburg Chardonnay, has been fairly active from coastal buyers for smaller volumes. Recent sales for 2022 vintage wines have been between \$5.00 to \$7.50 per gallon.

**Figure 3 - Chardonnay Bulk Gallons Available**



Chardonnay bulk gallons available statewide, all regions. Source: Turrentine Brokerage

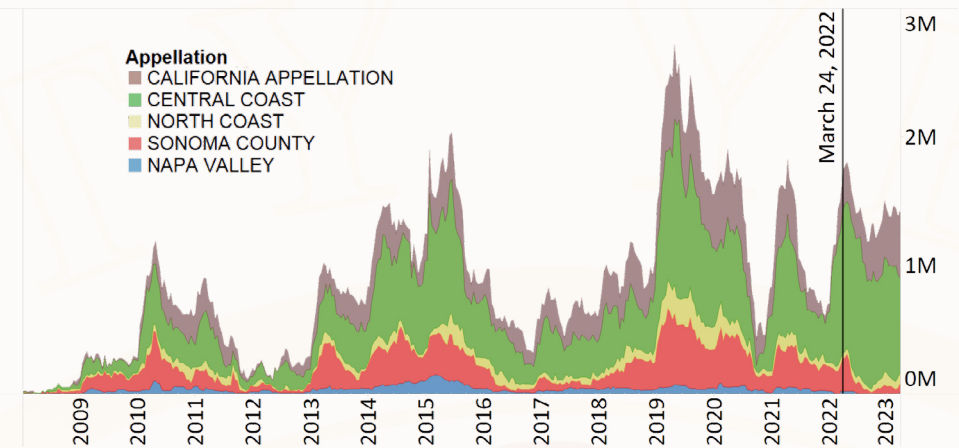


## Pinot Noir

- Supply of Sonoma County Pinot Noir is very tight, with just 73,000 gallons actively for sale. Recent sales in the range of \$25.00 to \$30.00 per gallon reflect the smaller crop and strong demand.
- Demand for North Coast Pinot Noir is fairly low, and it will most likely take a California Appellation price to move available supply outside of Anderson Valley lots.
- The majority of demand for Central Coast wines is for Monterey County Pinot Noir from

price sensitive buyers. Recent sales have been between \$7.00 to \$10.00 per gallon. In Santa Barbara County, there is not much urgency from buyers. To inspire buyers for larger volume deal, sellers may have to offer lower prices.

**Figure 4 - Pinot Noir Bulk Gallons Available**

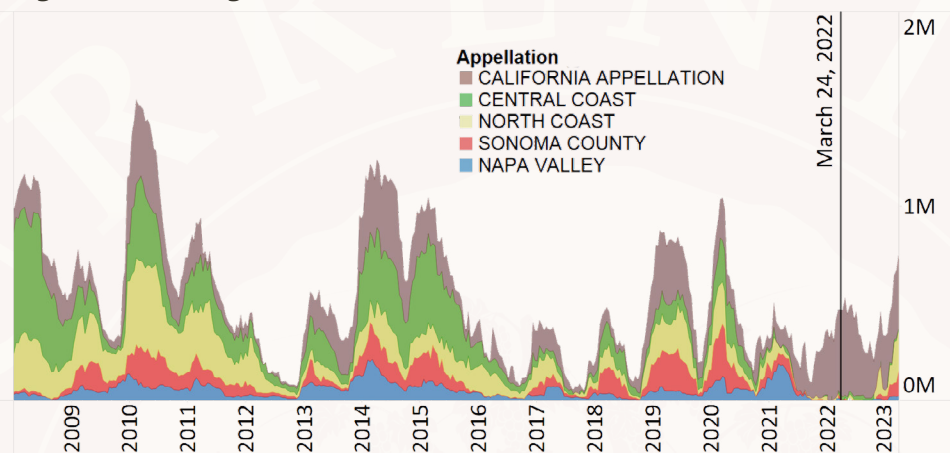


Pinot Noir bulk gallons available statewide, all regions. Source: Turrentine Brokerage

## Sauvignon Blanc

- The window for 2022 Sauvignon Blanc is closing for all regions as wineries are finishing blends, placing orders for dry goods, and beginning to bottle.
- There are more gallons actively for sale right now in Napa, Sonoma, and the North Coast than there were at any point last year. This has translated to more bulk wine market activity, but it is still not as active as the grape market.

**Figure 5 - Sauvignon Blanc Bulk Gallons Available**



Sauvignon Blanc bulk gallons available statewide, all regions. Source: Turrentine Brokerage

- Recent sales of Napa Valley and Sonoma County Sauvignon Blanc have been between \$15.00 to \$25.00 per gallon, but active buyers are less prevalent than they were a few weeks ago.
- Sales of North Coast and Central Coast lots have been a bit slower, with recent sales between \$12.00 and \$15.00 per gallon.
- There has been moderate demand for California Appellation Sauvignon Blanc around \$7.00 per gallon, but supply exceeds demand.

## Grape Market

Due to the cooler weather and significant (and continuing) rain this winter, budbreak has been delayed to a greater degree than the last three years. This could change quickly when temperatures begin to rise. The rain typically has a positive impact on crop size, and it is worth noting that grape markets trends have great potential to change and slow down this year if the crop size appears to be larger. Please reach out to your broker for more details based on variety and region.

## North Coast

With the amount of rain pushing 40" this winter, soil profiles will be well-saturated and could lead to greater yields than we have seen for the past few years, particularly on hillside vineyards. The rain, while overwhelmingly positive, does come with increased mildew pressure, which could become a concern for growers throughout the year if it is not properly treated early.

In general, grape market purchasing activity picked up early in 2023 where they left off at harvest of last year. Napa Valley Cabernet Sauvignon is still the hottest variety followed by Sonoma County Pinot Noir and Chardonnay. Sauvignon Blanc is in high demand throughout the North Coast. These are very fast-moving markets and wineries are already at risk of missing opportunities, so please call if you're looking for these active varieties.

As a result of the higher prices and lack of availability for the most in-demand varieties, buyers are looking outside of their typical appellations. The early shifts are Sonoma County Chardonnay buyers looking to Mendocino County, and Napa Valley Cabernet Sauvignon buyers looking at Sonoma County. The switch hasn't resulted in many deals for the latter. North Coast Cabernet Sauvignon continues to be a challenging market due to supply in excess of demand.

## Central Coast

The Central Coast grape market has been a confident one over the last two years, but uncertainty has crept in due to the lingering questions about the future of the economy, casegood sales, and crop size. In general, the consensus is that the grape market will remain positive to varying degrees for sellers in 2023, but could shift toward emerging excess for core varieties if the aforementioned uncertainty increases. Today these concerns are not overly prominent.

An indication of a large crop could slow the Central Coast grape market this year, and that would have a greater chance of impacting the 2024 grape market if the large crop is realized. With half as many tons available this year over last year, it would take a very large crop to make a measurable difference.

The varieties that are most in-demand are Paso Robles Cabernet Sauvignon, Central Coast Petite Sirah, and Central Coast Sauvignon Blanc. Supply of these grapes has dwindled, and there are fewer options currently than this time last year. There are greater opportunities for Central Coast Gewurztraminer, non-sub-appellated Pinot Noir and Chardonnay, and Barbera at larger volumes. Regardless of your needs, please reach out early so we can find the right solutions for you. And please keep in mind, the right solution isn't always the person who is willing to provide the best financial offer, more often than not, the right solution is the person offering a solid and consistent relationship. A ship for smooth sailing, but one that also weathers all storms as they are inevitable.

## San Joaquin Valley

The water situation in the San Joaquin Valley, like other areas of the state, has improved considerably since last year. Vineyards are starting with a full soil profile without having to irrigate. Growers that have had 100% of their water allocations stripped in the past are optimistic that they'll get part, if not all, back this year.

Grape market purchasing activity throughout the San Joaquin Valley has been slower than it was last year to this point, as many buyers are waiting to see what the crop looks like before committing. Re-sign activity has been deliberate, particularly from the larger Central Valley wineries, as they are reviewing their options. Re-signs that have been completed are between parties with longstanding relationships for high-quality fruit. Most of the new buying activity has been from coastal wineries for smaller quantities as a way to reduce cost of goods—a reflection of recent challenging retail sales trends.



# Global ProWein

ProWein 2023 wrapped up Tuesday March 21 in Düsseldorf, Germany. Last year, after a two-year postponement due to Covid, everyone was excited to be back together and many expressed hope that by being on the back side of the pandemic, global wine sales would pick up. The mood this year was more cautious. Retail sales of value wine globally continue to be challenged. Value white wines such as Sauvignon Blanc and Pinot Grigio are faring better than reds. Prices for red wines are already attractive and are likely to remain low, but buyers are being very cautious on commitments for larger volumes.

Opinions on why consumer sales are down vary depending on who you talk to and where they are from. Some of the theories range from inflation pressures and increased retail prices to competition from products such as hard seltzers and spirits, the Chinese market being closed for so long, and lower consumption from an aging population.

On the positive side the low bulk prices are at least stimulating some conversations around supply opportunities, and costs of shipping have dropped, which is offering some relief. Similar to California, there is an active market for smaller lots and AVA wines. There were some interesting trends highlighted by the increased opportunities for low and no alcohol wine and a greater selection from organic grapes being offered. Overall, wine quality continues to evolve and improve all over the world, and many of these global producers will be trying to shift additional inventory to the United States.

## Chile/Argentina

Harvest is generally done for whites and well underway for reds in Chile. The white crush will be down from last year for both Sauvignon Blanc and Chardonnay, with Chardonnay down greater than Sauvignon Blanc. Red yields are likely to be down from normal, but not as far down as white grapes. The Chilean crop will be significantly better than the crop from Argentina, which lost an estimated 50% of their crop due to frost. Argentina is looking to source Chilean wine to make up for its light crop, but the governmental economic policies are complicating transactions to do so.

Chilean bulk wine prices are stable for white wine—between \$0.80 to \$0.85 per liter for Chardonnay and Sauvignon Blanc. Prices for reds such as Cabernet Sauvignon, Merlot, and Syrah are low at roughly \$0.50 to \$0.55 per liter. In spite of the smaller crop, supplies of red wines exceed demand. With China opening back up, people back out and restaurants, and the continuing high tariffs on Australian wines, there is hope that their appetite for Chilean red wine will increase and some volume will be able to be sold.

## Australia

The Australian harvest is also well underway. White wine grapes will be off by 20% to 30% due to a very wet season. Supply of Chardonnay in bulk will be down and asking prices are holding in the range of A\$1.10 to A\$1.20 per liter delivered to port with increasing upward pressure on price. Supplies of inland Sauvignon Blanc and Pinot Grigio are very tight, and it is tough to find any lots available. Asking prices for both Sauvignon Blanc and Pinot Grigio will be higher than Chardonnay, and in the range of A\$1.35 to A\$1.50 per liter delivered to port for Sauvignon Blanc and A\$1.20 to A\$1.30 per liter delivered to port for Pinot Grigio.

The harvest for reds will be down because of the wet season, and also to some grapes being left on the vine due to oversupply. Asking prices for inland Cabernet Sauvignon are the range of A\$0.60 to A\$0.75 per liter delivered to port.

## Europe

The market dynamics are quite similar in Europe with the luxury market more active than value. Value bulk red wine is available in Spain, Italy and France. White wine volumes are more in balance, especially bulk Chardonnay and Sauvignon

in France. Prices are generally higher for French and Italian wine than Spanish or Portuguese wines. In France, asking prices for Chardonnay are between €1.40 to €1.50 per liter while Sauvignon Blanc are between €1.35 to €1.40 per liter. In Spain, asking prices are between €0.60 to €0.70 per liter for Grenache and Tempranillo. Due to the slower market, there is downward pressure on bulk price.

## Conclusion

The first few months of 2023 have been interesting, to say the least. In the San Joaquin Valley, the bulk and grape markets are feeling the pressure of slowing case sales; increased volumes and downward pressure on pricing. In the North Coast, especially in Napa & Sonoma, the bulk & grapes markets are very active for sought after varieties with short inventories and increased pressure on pricing. The Central Coast is finding itself somewhere in between.

As we all look for the 'Other Guy' at the value end and hope for more gallons and tons (but not too many) at the luxury end we continue to celebrate our 50 years serving our clients in the wine business.

Although we are not the 'Other Guy', we are the Company to call to assist you in finding your next 'Bright Idea' in this crazy, wonderful business.

## Turrentine on the Road



**William Goebel, Audra Cooper, and Brian Clements will be at our Booth at WiVi on  
March 29<sup>th</sup>, 2023**

**Christian Klier will be presenting  
at the Mendocino Winegrowers  
Expo on April 19<sup>th</sup>, 2023**





# Market Opportunities

Turrentine Brokerage is always working to find opportunities for our clients. We believe firmly in a personalized approach tailored to each client's specific needs and unique position.

Give us a call at (415) 209-WINE

## Bulk Market

### Needed

2021/2022 Napa Valley Cabernet Sauvignon  
2021/2022 other Napa Valley reds  
2022 Napa Valley Chardonnay  
2021/2022 Russian River Valley Pinot Noir  
2022 Russian River Valley/Sonoma County Chardonnay  
2022 Paso Robles Cabernet Sauvignon

### Available

2020-2022 Lake/Mendocino County Cabernet Sauvignon  
2022 North Coast Sauvignon Blanc  
2022 Sonoma County Sauvignon Blanc  
2021 Pinot Noir from various Central Coast regions  
2021/2022 California Appellation Cabernet Sauvignon  
2021/2022 California Appellation Merlot  
2022 California Appellation Pinot Noir  
2021/2022 California Appellation Chardonnay  
2022 California Appellation Dry White

## Grape Market

### Needed

Sonoma County Chardonnay  
Napa Valley Cabernet Sauvignon  
All North Coast Sauvignon Blanc  
Paso Robles Petite Sirah in truckload quantities  
Chardonnay throughout the San Joaquin Valley  
Sauvignon Blanc throughout the San Joaquin Valley

### Available

North Coast Cabernet Sauvignon  
Mendocino County Chardonnay  
Mendocino County Zinfandel  
Sonoma County Cabernet Sauvignon  
Monterey County Pinot Noir  
Arroyo Seco Wente clone/old vine Chardonnay  
Santa Barbara County Pinot Noir  
Santa Barbara County Merlot  
Santa Barbara County Cabernet Sauvignon  
Paso Robles Cabernet Sauvignon  
Cabernet Sauvignon throughout the San Joaquin Valley  
Merlot throughout the San Joaquin Valley  
Pinot Grigio throughout the San Joaquin Valley  
Zinfandel throughout the San Joaquin Valley





Steve Fredricks, President  
(415) 847-0603

Brian Clements, Vice President  
(707) 495-8151

### **BULK WINE BROKERS**

Steve Robertson, Broker/Partner  
All California & Interstate Regions  
(415) 827-0110

Marc Cuneo, Broker/Partner  
North Coast, Interior & International  
(707) 217-1369

William Goebel, Broker/Partner  
Central Coast & North Coast  
(415) 798-5515

### **GRAPE BROKERS**

Audra Cooper, Broker/Partner  
Central Coast  
(805) 400-9930

Mike Needham, Broker/Partner  
California Interior  
(209) 443-0022

Christian Klier, Broker  
North Coast  
(707) 867-8212

### **STRATEGIC BRANDS**

Bryan Foster  
National Sales Manager of Strategic Brands  
(707) 849-9948

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Turrentine Brokerage | 7599 Redwood Boulevard, Suite 103, Novato CA 94945

Tel: 415.209.9463